

**VIRGINIA RESOURCES AUTHORITY  
PERSONNEL COMMITTEE  
MINUTES OF THE REGULAR MEETING**

The Personnel Committee of the Virginia Resources Authority met on Monday, June 6, 2016, in the Virginia Resources Authority Board Room, Bank of America Building, 19<sup>th</sup> Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

**Members Present**

Thomas L. Hasty, Jr., Chair  
Randall P Burdette  
Barbara McCarthy Donnellan  
Valerie Thomson on behalf of David K. Paylor  
William G. O'Brien, ex officio

**Members Absent**

None.

**Other Board Members Present**

Janet Aylor on behalf of Manju Ganeriwala (arrived at 12:35 p.m.)  
David Branscome (arrived at 1:45 p.m.)  
Dena Frith Moore (arrived at 12:52 p.m.)  
John H. Rust, Jr.

**Staff Present**

Stephanie L. Hamlett, Executive Director/Secretary to the Board  
Jean Bass, Director of Policy  
Peter D'Alema, Director of Program Management  
Michael Cooper, Director of Administration & Operations  
George Panos, Deputy Controller  
Catherine O'Brien, Accounting Manager  
Rachael Panos, Fiscal & Administrative Specialist

**Others Present**

None.

**Call to order**

The meeting was called to order by Mr. Thomas L. Hasty, Jr., Chair, at 12:32 p.m.

**Approval of Agenda**

There were no additions or deletions to the minutes.

Motion by Mr. O'Brien, seconded by Mr. Burdette, to approve the agenda as presented.

Motion carried.

### **Old Business**

There was no old business.

### **New Business**

The Chair asked Mr. Michael Cooper, Director of Administration & Operations, to present the updates to the Personnel Policies Manual and employee health insurance.

Personnel Policies Manual: Mr. Cooper welcomed Ms. Catherine O'Brien. Ms. O'Brien is a new member to the VRA staff and is serving as Accounting Manager. She is a Certified Public Accountant, has worked in the private and public sectors, and has a strong background in auditing. The Committee welcomed Ms. O'Brien to VRA.

Mr. Cooper proceeded to provide an update on the Personnel Policies Manual. He explained that there are no substantial changes, but there is the addition of minor language that will bring the Manual current with state and federal Equal Employment Opportunity (EEO) laws, specifically gender identity, genetics and other categories that have been added to areas protected. The second change refers to Persons with Disabilities and the Americans with Disabilities Act (ADA). He stated that a sentence was added identifying the VRA employee to be contacted when an employee with a disability has a request for accommodation. Mr. Cooper continued that three additional classifications were added to the Harassment section of the policy consistent with other classifications previously covered in the Manual. In regard to the Retaliation section, Mr. Cooper explained that two components were added. The first provision was extended to protect any employee who may have been involved in an investigation of a retaliation claim. The second provision is a disclaimer that VRA cannot promise confidentiality for employees who may have or were involved in a retaliation complaint.

Mr. Cooper noted that VRA is not a Family and Medical Leave Act (FMLA) eligible organization because of its size. However, VRA has adopted a Medical and Parental Leave policy that essentially mirrors the FMLA in terms of what it covers and what it provides. Therefore, additional language has been added to the Manual to bring it in line with recent state policies and procedures.

Mr. Cooper continued that new language was added to the Information Technology (IT) component of the Personnel Policies. The language will provide for the storing of VRA equipment used by employees, as well as the initiation of proper shutdown of stolen, lost or compromised equipment to prevent any access to information relating to VRA. Mr. Cooper explained that many of VRA employees utilize their own devices for work. However, upon separation from employment with VRA, the employees' access to email will be shut down. The proposed language will allow VRA, "with the employee's consent, to wipe VRA data from a personal computer".

In response to Mr. Rust relative to language "with the employee's consent", Mr. Cooper stated that VRA is following language that was used elsewhere. After extensive discussion, Ms. Hamlett

suggested that VRA work towards obtaining consent from employees that are allowed to use their own devices and eliminate the consent language from the Manual unless a legal reason is determined that requires that the language be included. Ms. Hamlett suggested that staff prepare language for recommendation to the Full Board for consideration.

Mr. Cooper concluded that there may be some adjustments to VRA's organizational chart based on a reclassification study currently in process.

Fiscal Year 2017 Health Insurance: Mr. Michael Cooper, Director of Administration & Operations, explained that VRA realized a 13% overall increase in employee health insurance premiums for FY2017. The increase will be shared 88% for VRA and 12% for employees. He continued that VRA offers the Key Advantage Expanded with Preventative Dental and Comprehensive Dental. He shared a chart showing the premiums for the two levels of insurance under the Key Advantage Expanded policy for single, dual and family plans. Mr. Cooper noted that all VRA employees have elected coverage under the Comprehensive Dental plan. Mr. Cooper shared illustrations of total employee compensation, one with single healthcare coverage and the other with family healthcare coverage, along with the dollar amount and percentage of non-salary items for each illustration. He further stated that the gym membership reimbursement program implemented in FY2016 was a huge success and will continue in FY2017. The program pays a reimbursement amount up to \$30.00 a month on membership for VRA employees only.

In response to Mr. Rust, Mr. Cooper stated that VRA is above the 80% threshold requirement for coverage of employee healthcare premiums.

There was no further discussion.

Motion by Mr. Rust, seconded by Mrs. Donnellan, to recommend to the Full Board approval of the Personnel Policies Manual changes as discussed, the ability to modify the organizational chart as necessary, and to approve health insurance premium rates as presented.

Motion carried.

Classification and Compensation Study: Mr. Michael Cooper, Director of Administration & Operations, stated that the Classification and Compensation Study is underway by Springsted, Inc. and implementation is anticipated for late fall. He continued that staff will provide the Board an update of the Study's findings at the September 2016 meeting. The study includes the evaluation of the current pay grade structure and the development of career ladders. The recommendation is to institute the results, as appropriate, at the conclusion of the study

## **Closed Session**

Mr. Hasty called for a motion to convene in closed session to discuss a personnel matter.

Motion by Mr. O'Brien, seconded by Ms. Thomson, to go into closed session in accordance with Section 2.2-3711(A)(1) of the Code of Virginia, as amended, for the purpose of discussion and consideration of the performance, compensation, promotion and resignation of specific public officers, employees or appointees of VRA.

Motion carried.

The closed session convened at 12:58 p.m.

### **Open Session**

The open session reconvened at 1:45 p.m. Mr. Michael Cooper, Director of Administration & Operations, read the following Resolution certifying closed session.

#### **RESOLUTION**

**Whereas**, the Personnel Committee of the Virginia Resources Authority (the "Authority") has on June 6, 2016, received this resolution convened a closed session pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

**Whereas**, Section 2.2-3712 of the Code of Virginia requires a certification by the Personnel Committee that such closed session was conducted in accordance with Virginia law;

**Now, therefore be it resolved** that the Personnel Committee of the Board of the Virginia Resources Authority does hereby certify that, to the best of each member's knowledge, (i) only the public business matters that were identified in the motion by which the closed session was convened and were lawfully exempted by the Virginia Freedom of Information Act were discussed in the closed session to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed session were heard, discussed or considered by the Committee.

Motion by Mr. O'Brien, seconded by Mrs. Donnellan, that the above-stated resolution certifying closed session be approved.

A roll call vote on the motion resulted as follows:

Ayes: Mr. Burdette, Mrs. Donnellan, Mr. O'Brien, Mr. Rust, Ms. Thomson, and Mr. Hasty, Chair.

Nays: None.

Absent for Vote: None.

Absent for Meeting: None.

Motion Carried.

**Public Comment Period**

There was no one present to be heard.

**Adjournment**

Motion by Mr. Rust, seconded by Mr. Burdette, that the meeting be adjourned.

Motion carried, and the meeting adjourned at 1:49 p.m.

The next meeting of the Committee will be held on September 12, 2016.

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Thomas L. Hasty, Jr., Chair

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Stephanie L. Hamlett, Executive Director  
Board Secretary

**VIRGINIA RESOURCES AUTHORITY  
BUDGET COMMITTEE  
MINUTES OF THE REGULAR MEETING**

The Budget Committee of the Virginia Resources Authority met on Monday, June 6, 2016, in the Virginia Resources Authority Board Room, Bank of America Building, 19<sup>th</sup> Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

**Members Present**

Barbara McCarthy Donnellan, Chair  
Janet Aylor on behalf of Manju Ganeriwala  
John J. Aulbach, II  
Thomas L. Hasty, III  
Dena Frith Moore  
Valerie Thomson on behalf of David K. Paylor  
William G. O'Brien, ex officio

**Members Absent**

None

**Other Board Members Present**

David Branscome  
John H. Rust, Jr.

**Staff Present**

Stephanie L. Hamlett, Executive Director/Secretary to the Board  
Jean Bass, Director of Policy  
Michael Cooper, Director of Administration & Operations  
Shawn Crumlish, Director of Financial Services  
Peter D'Alema, Director of Program Management  
Catherine O'Brien, Accounting Manager  
Stephanie Jones, Program/Compliance Officer  
Joseph Bergeron, Financial Services Manager  
Rachael Panos, Fiscal & Administrative Specialist

**Others Present**

Ty Wellford, Davenport & Company LLC  
Leah Schubel, Davenport & Company LLC

**Call to Order**

The meeting was called to order by Mrs. Barbara McCarthy Donnellan, Chair, at 1:53 p.m.

**Approval of Agenda**

There being no additions or deletions, the agenda stands approved as presented.

## **Old Business**

There was no old business.

## **New Business**

### **Fiscal Year 2017 Budget Presentation**

The Chair asked Mr. Michael Cooper, Director of Administration & Operations, to present the proposed FY2017 budget.

Mr. Cooper began by first introducing Ms. Catherine O'Brien. Ms. O'Brien is a new member of the VRA Administration and Finance Division and is the Accounting Manager. She is a Certified Public Accountant, has worked in the private and public sectors, and has a strong background in auditing. The Committee welcomed Ms. O'Brien to VRA.

Fiscal Year 2016 Budget: Prior to presenting the proposed FY2017 budget, Mr. Cooper reviewed the FY2016 projected budget versus the actual budget for the period ending June 30, 2016. He explained that total revenues tracked above total expenses due in part to investments. Mr. Cooper continued that expenses are down primarily in the personnel line item because the Controller position remained vacant over half of the fiscal year and an authorized budgeted position was not filled. Mr. Cooper shared the FY2016 Unrestricted Net Assets Reserves as of March 31, 2016. The reserves will be adjusted at year end. In response to an inquiry by Mr. Rust, Mr. Cooper explained that VRA policy requires 75% of VRA operating costs be held in a reserve.

Fiscal Year 2017 Budget: Mr. Cooper proceeded with the FY2017 budget, explaining that the key drivers are in line with VRA's strategic goals. He began by stating the Board's strategic goals. The first is to enhance outreach. This goal pertains to visibility of VRA through membership in relevant organizations and professional boards, conference registrations, sponsorships and exhibits. In addition, he stated that the biennial statewide conference will be held in December 2016 in Williamsburg. The conference will be funded in part by sponsorships and registrations. In continuing discussions of the goal to enhance outreach, Mr. Cooper noted that the multimedia outreach efforts are continuing and the VRA website was updated to be more user friendly.

Mr. Cooper proceeded with Goal 2 which is to continue quality underwriting and monitoring which, he said, is reflected in the training budget. The training budget will provide staff members the opportunity to attend professional training courses and conferences, including those provided by rating agencies, to provide them with the best tools to assist VRA borrowers, and stay apprised of rating agencies trends. Goal 3, Mr. Cooper said, is to optimize technology and information systems and the FY2017 proposed budget includes resources for the loan servicing system project. Procurement for the project will begin in the winter of 2016. In addition, Authority-wide phone system replacement will take place as the current system will reach end of life cycle in December 2016. Goal 4, he stated, is to assure financial sustainability. In FY2017 approximately \$2 million will be transferred to the Portfolio Risk Management reserve. In addition, staff will perform an

analytical study relative to the manner in which reserves are projected.

Mr. Cooper concluded that Goal 5 is to maintain qualified staff. In this regard, the FY2017 budget includes a 3% merit increase for eligible employees based on annual performance evaluation. This increase, he said, is consistent with state and local governments. The benefits package for employees remains the same, except for a slight adjustment for a 13% premium increase in health insurance. Insurance premiums for FY2017 will be shared at a ratio of 88% VRA cost and 12% employee cost. The proposed budget further includes the gym membership reimbursement program; and it incorporates any proposed recommendations relating to classification and compensation adjustments that may be recommended from Springsted, Inc. and implemented by the Executive Director. Springsted is conducting a review of VRA employee career development opportunities and compensation. Its review will be completed in the fall of 2016. In response to Ms. Moore, Mr. Cooper stated that the study was competitively procured.

Mr. Cooper provided the FY2017 General Fund Summary, noting the funding to be transferred to the Portfolio Risk Management Reserve, support of one additional staff position, and payment of Trustee and Arbitrage Rebate fees. He continued that the revenues were estimated less than the FY2016 budget and expenses are in line with the FY2016 budget. Mr. Cooper called attention to a chart in his presentation showing a conservative estimate of revenues for the FY2017 Virginia Pooled Financing Program in the amount of \$195 million in new issuances. He noted that the 20 loans projected for the Clean Water Revolving Loan Fund and 22 loans for the Drinking Water State Revolving Fund for FY2017 are consistent with FY2016 estimates. Two loans are projected to close and there is one new application for the Virginia Transportation Infrastructure Bank. Mr. Cooper shared the FY2017 Budgeted Allocable Expenses; a chart showing general fund revenue comparisons over a five-year period; and allocation of FY2017 budgeted expenses in the amount of \$3.6 million.

Mr. Cooper referenced the Five-Year Projection with Reserve Analysis, noting that the professional and contractual line item is a little higher primarily because of a third party audit firm, Cherry Bekaert, Holland, which was hired in the absence of a controller. The firm has been informally auditing VRA every quarter and will continue for another year. Another potentially costly item included in the budget is rating surveillance work, which is used to evaluate options for the RLF funds.

Mr. Cooper proceeded to share the Five-Year Projection with Reserve Analysis based on current and proposed methodology numbers. The current methodology includes calculations and a formula derived from the Loan Monitoring Compliance Database (LMCD) using FY2014 data, the most comprehensive data available to date. There was an adjustment in the number of green borrowers causing a reduction in risk from FY2013 to FY2014, as well as a drop in the loan volume amount outstanding, and thereby reducing the overall risk level and related PRM Reserve requirement.

In response to Mr. Rust, Mr. Cooper explained that reserve is going down every year because it is a function of the number of borrowers in the various risk categories as well conservatively estimating the volume in the VPFP. After discussion, Mr. Cooper shared the Five-Year Projection with Reserve Analysis using the proposed new methodology. He noted that the proposed new



methodology results in the PRM reserve remaining stable as opposed to the decline in PRM reserve under the current methodology. In response to Mr. O'Brien, Mr. Peter D'Alema, Director of Program Management, stated that there will be a slight decline in the reserve with the new methodology, but it will not occur as quickly as in the current methodology.

Mrs. Donnellan expressed concern relative to the size of the reserve asking if this is a proper use of the fund, particularly since the reserve has never been used.

The Executive Director explained that if funds are needed when a borrower cannot meet its obligations to the Pool Program, VRA will have reserves to rely upon before calling on the State's Moral Obligation (MO) pledge. Currently, there are two borrowers struggling with economic challenges, one of which is an authority and State-aid is not available.

There was discussion relative to possible at-risk borrowers.

Portfolio Risk Management Reserve Methodology: Mr. Peter D'Alema, Director of Program Management, explained that the Portfolio Risk Management Reserve (PRM) was established as part of the Net Assets Guidelines that were approved in 2013. The purpose of the PRM Reserve is to cure potential local borrower payment defaults in programs backed by the State's MO pledge. He continued that the current PRM Reserve methodology applies long-term municipal default rates to existing borrower loans and historic Moody's municipal default rates backed by a Capital Reserve Fund based on VRA Loan Monitoring and Compliance Database (LMCD) risk classification (red, yellow, and green). Mr. D'Alema shared a sample of the PRM Reserve calculation noting that under the current methodology the target PRM Reserve amount is \$11,584 million based on FY2014 data. He stated that the PRM Reserve target can fluctuate widely from year to year under the current methodology because of reclassifications of certain large borrowers in the LMCD. Reserves may not always increase even with an increase in portfolio size under the current methodology due to the reclassification of a borrower.

The new methodology for calculating the PRM reserve, Mr. D'Alema stated, seeks to stabilize the long-term default loss target over time. It uses Standard & Poors (S&P) bond insurer credit criteria as the basis of determining capital charges associated with loans issued by VRA on behalf of local government borrowers. It further uses average annual debt service for each applicable loan which is the key difference in the two methodologies. The average annual debt service is a better indicator of the amount of funds that would be needed in an actual payment default scenario. Lastly, S&P borrower ratings or assigned ratings are used as the basis for determining the related loan capital charge. He highlighted the capital charge assessments under the new methodology. To identify the loans that may have a real chance for default, the new methodology relies on the LMCD "watch list" borrowers and sets aside 100% of average annual debt service as a default reserve for these "watch list" loans. Based on the FY2015 loan portfolio, PRM Reserve target would be \$14.88 million, excluding reserves for "AAA" and "AA" rated borrowers. While this methodology results in a higher target than the current methodology, it is expected to be more stable over time in that borrowers will be tied to S&P ratings, which tend to change less over time.

In response to Mr. Hasty, it was explained that should the reserve go over the target, the surplus

will go back to borrowers through the trustees as a credit.

Mr. D'Alema provided a snapshot of the new methodology database for FY2015 that includes borrowers, Bond Series, average annual debt service, rating, capital charge and reserve amount.

Mrs. Donnellan suggested that a policy be developed as to how a surplus of the targeted reserve for the PRM can be used.

Mrs. Moore stated that she favors the proposed methodology because it utilizes more up to date information for calculations. Mrs. Donnellan stated that she likes the proposed methodology because it is more substantially validated.

### **Approval of the Fiscal Year 2017 Budget**

Motion by Mr. Hasty, seconded by Ms. Moore, that the Committee recommend approval to the Full Board approval of the Fiscal Year 2017 budget as presented.

Motion carried.

### **Public Comment Period**

There was no one to be heard.

### **Adjournment**

Motion by Mr. Hasty, seconded by Ms. Moore, that the meeting be adjourned.

Motion carried and the meeting adjourned at 3:11 p.m.

The next meeting of the Committee will be held on September 12, 2016.

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Mrs. Barbara McCarthy Donnellan, Chair

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Stephanie L. Hamlett, Executive Director  
Secretary to the Board

**VIRGINIA RESOURCES AUTHORITY**  
**PORTFOLIO RISK MANAGEMENT COMMITTEE**  
**MINUTES OF THE REGULAR MEETING**

The Portfolio Risk Management Committee met on Monday, June 6, 2016, in the Virginia Resources Authority Conference Room, Bank of America Building, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

**Committee Members Present**

Dena Frith Moore, Chair  
Janet Aylor on behalf of Manju Ganeriwala  
David Branscome  
Thomas L. Hasty, III  
John H. Rust, Jr.  
William G. O'Brien, ex officio

**Committee Members Absent**

None

**Other Board Members Present**

Barbara McCarthy Donnellan

**Staff**

Stephanie L. Hamlett, Executive Director/Secretary to the Board  
Jean Bass, Director of Policy  
Peter D'Alema, Director of Program Management  
Michael Cooper, Director of Administration & Operation  
Shawn Crumlish, Director of Financial Services  
Kimberly Adams, Senior Program Manager  
Stephanie Jones, Program Manager/Compliance Officer  
Catherine O'Brien, Accounting Manager  
Joseph Bergeron, Financial Services Manager  
Rachael Panos, Fiscal & Administrative Specialist

**Others**

Ty Wellford, Davenport and Company LLC  
Leah Schubel, Davenport and Company LLC  
Howard Eckstein, Virginia Department of Health

**Call to Order**

Ms. Dena Frith Moore, Chair, called the meeting to order at 3:18 p.m.

### **Approval of Agenda**

There were no additions or deletions to the agenda.

Motion by Mr. O'Brien, seconded by Mr. Rust, that the agenda be approved as presented.

Motion carried.

### **Portfolio Risk Management**

The Chair asked Mr. Peter D'Alema, Director of Program Management, to provide the Portfolio Risk Management (PRM) update.

2016A Virginia Pooled Financing Program (VPFP): Mr. D'Alema stated that VRA sold \$136.62 million, in VPFP Series 2016A bonds in May 2016 to fund 15 loans on behalf of 14 local government borrowers. The bonds cover 7 of VRA's 18 authorized project areas. The sale included both tax-exempt Infrastructure Revenue Bonds with confirmed ratings of Aaa/AAA and State Moral Obligation Revenue Bonds with confirmed ratings of Aa2/AA. Mr. D'Alema highlighted the bond transaction summary noting that the True Interest Cost (TIC) was 2.56% and the All-In TIC was 2.72%. He stated that the 2016A Infrastructure Revenue Bonds were issued on a negotiated basis, and the underwriter's included Citi, Senior Manager; JP Morgan, Co-Senior Manager; and Co-Managers Fidelity and Morgan Stanley. Bank of America Merrill Lynch submitted the lowest competitive true interest cost (TIC) bid on the 2016A State Moral Obligation Bonds, which were offered on a competitive basis.

Mr. D'Alema reviewed the 2016A VPFP Borrower Summary, noting that the 8 local government borrowers in the transaction refunded \$59.4 million in prior debt obligations for a net present value savings in excess of \$7.5 million. The 2016A transaction as a whole added four new local government borrowers to the VPFP portfolio, including: Chesterfield County, James River Water Authority, Louisa County, and Smyth County. Mr. D'Alema continued that with the inclusion of the 2016A transaction, there is \$2.37 billion in total borrower principal outstanding in the VPFP Portfolio with the top 10 borrowers representing 34.5% of overall VPFP portfolio. The largest borrower, Stafford County, was 6.04% of the overall VPFP portfolio immediately after the closing of the 2016A bond issue.

Mr. D'Alema mentioned the VPFP Five-Year Issuance Trend, noting that the issuance of loans to finance new project construction increased to approximately \$220 million in fiscal year 2016 as compared to approximately \$90 million in fiscal year 2015.

Commonwealth's Moral Obligation: Mr. D'Alema provided an update on VRA's debt outstanding that is backed by the Commonwealth's Moral Obligation (MO) pledge. After the VPFP 2016A issuance, MO debt outstanding totals approximate \$916 million with approximately \$584 million in remaining MO debt capacity. Mr. D'Alema explained that over \$41 million in MO backed debt matures between June 30, 2016 and November 1, 2016, leaving approximately \$625 million in estimated remaining MO debt capacity by fall 2016. This capacity excludes the impacts of the

summer 2016B VPFP issuance.

VPFP Guaranteed Investment Contracts (GIC) Terminations: Mr. D'Alema stated that as part of the 2016A VPFP, VRA was able to eliminate two guaranteed investment contracts (GICs) from the VPFP portfolio, noting that many GIC providers have been downgraded. VRA has been successful in collateralizing several of these investment contracts in other VRA programs. Due to favorable market conditions, as part of the spring VPFP VRA was able to successfully terminate the 2003 and 2006C GIC contracts. He explained that the GIC terminations included a substantial premium based on the current market interest rate environment. While a portion of the 2006C premium will likely need to be rebated to the IRS, the 2003 premium can be retained and used to replace the VPFP Capital Reserve Fund cash flow with the use of state and local government series bonds (SLGS). He noted that the termination of these GIC agreements is viewed positively by the rating agencies as there is less risk associated with the treasury investments that replaced the GIC investments.

He commended Ms. Leah Schubel and Ty Wellford of Davenport and Company LLC, for their efforts in this process.

2016B VPFP Summer Pool: Mr. D'Alema stated that the summer pool is moving forward. Eleven application requests have been received for consideration with approximately \$81 million in requested proceeds. Mr. D'Alema explained that there are multiple VPFP loans with net present value savings of 3% that are potential VRA refunding candidates. Three existing VPFP borrowers have expressed interest and plan to move forward in the summer transaction. He highlighted the 2016B VPFP Summer Pool applicants, noting that two of the loan applications were subsequently withdrawn. There were two summer pool loan requests seeking proceeds in excess of \$10 million, including Dinwiddie County and the City of Manassas Park. Dinwiddie County is seeking up to \$25.15 million to finance the construction of two new buildings and the renovation of two existing local government buildings. The Dinwiddie County loan would be secured by a lease revenue pledge with the County's government complex serving as collateral and the City of Manassas Park is seeking \$20.67 million to refund a Series 2008 public bond issue that originally financed a parks and recreation facility. Both of the loan requests fall within VRA's lease revenue and tax supported debt underwriting guidelines.

Mr. D'Alema stated that due diligence calls were conducted, local authorizing resolutions will be adopted by localities no later than June 20, 2016; and transaction details will be provided at the September 2016 PRMC and VRA Board meetings. He concluded with the financing schedule, noting that the bond sale is scheduled for July 27, 2016, and pre-closing and closing will take place on August 9, 2016 and August 10, 2016, respectively.

Green Community Program (GCP): Mr. D'Alema highlighted the Green Community Program. He stated that in September 2015 the Board approved a resolution to participate in the program in partnership with the Department of Mines, Minerals, and Energy (DMME). The program was established under Executive Order 36 which authorized DMME to deploy a portion of the Commonwealth Qualified Energy Conservation Bond (QECB) allocation. The program is for use by local governments, private businesses, and non-profits through the GCP. He explained that

CleanSource Capital administers the program, and VRA serves as the conduit issuer for local government QECB issuance. The Virginia Small Business Financing Authority serves as a conduit for business and non-profit related projects. Mr. D'Alema continued that the loans are up to \$10 million for energy efficiency or energy conservation projects. VRA Board approval will be sought for any GCP loans not meeting existing underwriting guidelines. He stated that the program started in September 2015 and since that time two loans were funded. Pittsylvania County was issued a 15-year loan for \$3.3 million. The other was an 18-year loan in the amount of \$8.691 million issued to Warren County. Both of the loans will fund energy performance contracts for multiple school facility energy efficiency upgrades. The loans will follow VRA underwriting guidelines.

Virginia Airport Revolving Fund (VARF) and Dam Safety Fund: Mr. D'Alema provided an update on the VARF noting that there are no pending loan applications. In addition, staff, along with Davenport and Company LLC, is reviewing a possible refunding of the VARF Series 2007 bonds for debt service savings. This will potentially be done through a bank private placement. He stated further that an updated Memorandum of Agreement (MOA) was provided to the Department of Aviation (DOAV) for its consideration in order to replace existing MOA's dating back to 1999 and 2000.

Mr. D'Alema complimented Ms. Kimberly Adams, Senior Program Manager, on managing the Dam Safety Fund. He stated that VRA has dispersed \$312,416 of dam safety grant funds relating to 67 grants from the 2011-2015 funding cycle. Grant awards for the 2016 funding cycle are anticipated to be finalized by the Soil and Water Conservation Board in fall 2016, and VRA staff will complete and distribute grant agreements shortly thereafter. He concluded that up to \$436,978.00 is anticipated to be awarded in dam safety reimbursement grants to private and public dam owners as part of the 2016 funding cycle.

Clean Water Revolving Loan Fund (CWRLF) Refunding: Mr. Shawn Crumlish, Director of Financial Services, stated that at the March 2016 meeting, there was discussion relative to a potential refunding of CWRLF Revenue Bonds, Series 2010B. However, the refunding did not occur. He continued that VRA did reach out to all the underlying borrows that have loans from those bond proceeds to see if they had any debt management plans that would be impacted by moving VRA's call date out effectively 6 years. He continued that Hampton Roads Sanitation District (HRSD) is the largest borrower in the 2010B issuance. HRSD recently completed their own refunding that resulted in a sizable savings and did not want to participate in a refunding of the 2010B bonds if it would ultimately extend the existing 2020 call date. Without the inclusion of the bonds related to the HRSD 2010 loan, the refunding would be much smaller. Mr. Crumlish said VRA considered the concept of bank placement for direct purchase, noting that with an \$80 million bid there is a possibility for a refunding for savings and favorable repayment terms that include maintaining the original 2020 call date of the 2010B bonds. Mr. Crumlish concluded that VRA received 5 responses to its RFP, and it does look like the bank transaction will be feasible. VRA will ensure that the bank transaction will not adversely impact other borrowers.

Hampton Roads Sanitation District (HRSD): Mr. Crumlish explained that HRSD amended its subordinate trust indenture and was able to refund a substantial portion of its senior lien debt because of favorable rates. The refunding allowed HRSD to move about 24% of their senior lien

down to subordinate. VRA and the Department of Environmental Quality (DEQ) met with HRSD to review projects in the HRSD Capital Improvement Plan. As a result, HRSD may be submitting a new money application in July.

Virginia Conservation Legacy Fund (VCLF): Mr. Crumlish explained that all of the Virginia Conservation Legacy Fund's Clean Water payments are current. There is \$267,952 in escrow that can be used for expenses at Natural Bridge, such as electric meter installation or other items necessary for the transition to state park operations. VCLF is current on its property taxes, as well. Mr. Crumlish stated that state legislation was adopted and funds were included in the recently adopted state budget that allows VCLF and the Department of Conservation and Recreation (DCR) to enter into a management agreement. The Office of the Attorney General is drafting a management agreement. Mr. Crumlish mentioned that VRA reviewed the business plan for VCLF in February 2016, and Warren Whitney will be working with VCLF to finalize the plan. The final business plan and appropriate loan restructuring will be presented in September 2016.

There was extensive discussion relative to VRA's ability to sell portions of the property to cover VCLF debt. In response to the Committee, it was stated that the hotel is doing well under the new management; attendance is up at Natural Bridge; and VCLF controls ticket revenues for the Natural Bridge. In addition, VRA and VCFL entered into a Forbearance Agreement. An escrow account was established and is controlled by VRA.

Drinking Water State Revolving Fund (DWSRF): Mr. Crumlish stated that the Town of Nickelsville is currently late paying its semi-annual debt service on an existing DWSRF loan. He noted that the debt is not tied to any bond issuances and all loans are issued from program equity. Declining connections and increased cost of a licensed water operator for the water system contributes to financial difficulties. Mr. Crumlish explained that the Virginia Department of Health (VDH) Office of Drinking Water is leading discussions with the Town for long-term operational solutions. In addition, discussions are being held with surrounding water systems to determine if Nickelsville's water system can be acquired.

Shelf Resolutions: Mr. D'Alema continued the presentation noting that there are five shelf-resolutions for various VRA programs. The resolutions are adopted annually and provide authorization for debt issuance in several VRA financing programs.

Motion by Mr. Rust, seconded by Mr. O'Brien, that the Committee recommend to the Full Board approval of the following shelf resolutions:

Resolution authorizing the issuance of up to \$475,000,000 in Infrastructure Revenue Bonds (Virginia Pooled Financing Program) for the Fiscal Year ending June 30, 2017.

Resolution authorizing the issuance and sale of up to \$10,000,000 in Virginia Airports Revolving Fund Bonds for the Fiscal Year Ending June 30, 2017, the lending of the proceeds thereof to finance or refinance airport projects, and the making of direct loans from the Virginia Airports Revolving Fund for airport projects.

Resolution authorizing the issuance and sale of bonds to refund outstanding bonds.

Resolution authorizing participation by the Virginia Resources Authority in the Virginia Saves Green Community Program established by the Virginia Department of Mines, Minerals and Energy and the issuance of Qualified Energy Conservation Tax Credit Revenue Bonds during the Fiscal Year ending June 30, 2017.

Resolution authorizing the issuance and sale of up to \$6,000,000.00 in Clean Water State Match Revenue Bond for the Fiscal Year ending June 30, 2017.

Motion carried.

Portfolio Risk Management (PRM) Reserve: Mr. D'Alema explained that the PRM Reserve was established as part of the Net Assets Guidelines that were approved in 2013. The purpose of the PRM Reserve is to protect against a draw on a Capital Reserve Fund resulting from one or more local borrower payment defaults in programs backed by the Commonwealth's Moral Obligation (MO) pledge. He explained that approximately two years ago the current methodology was established. It applies historic municipal default rates to existing borrower loans in programs backed by a Capital Reserve Fund based on VRA Loan Monitoring and Compliance Database (LMCD) risk classification (red, yellow, and green). The proposed new methodology, however, seeks to stabilize the long-term default loss target over time. It uses Standard & Poors (S&P) bond insurer credit criteria as the basis of determining capital charges associated with loans issued by VRA on behalf of local government borrowers. It further uses average annual debt service for each applicable loan which is the key difference of the two methodologies. The average annual debt service is a better indicator of the amount of funds that would be needed in an actual payment default scenario. Lastly, S&P borrower ratings or assigned ratings are used as the basis for determining the related loan capital charge. To identify the loans that may have a higher risk for default, the new methodology relies on the LMCD "watch list" borrowers and sets aside 100% of average annual debt service as a default reserve for these "watch list" loans. Based on the FY2015 loan portfolio, PRM Reserve target would be \$14.88 million excluding reserves for "AAA" and "AA" rated borrowers. While this methodology results in a higher target than the current methodology, it is expected to be more stable over time in that borrowers will be tied to S&P ratings, which tend to change less over time.

Mr. D'Alema concluded that during the Budget Meeting, it was suggested that instead of excluding the "AAA" and "AA" rated borrowers in determining the PRM Reserve, that all rated borrowers be considered and that a percentage of the total borrowers be used to determine a reserve. Staff will explore the possibility and should have a recommendation by the September 2016 meeting of the Committee.

## **Old Business**

There was no old business.



**New Business**

There was no new business.

**Public Comment Period**

There was no one from the public to be heard.

**Adjournment**

Motion by Mr. Hasty, seconded by Mr. Rust, that the meeting be adjourned.

Motion carried, and the meeting adjourned at 4:06 p.m.

The next meeting of the Committee will be held on September 12, 2016.

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Dena Frith Moore, Chair

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Stephanie L. Hamlett, Executive Director  
Secretary to the Board

**VIRGINIA RESOURCES AUTHORITY**  
**BOARD OF DIRECTORS**  
**MINUTES OF THE REGULAR MEETING**

The Board of Directors of the Virginia Resources Authority met on June 7, 2016, in the Virginia Resources Authority Conference Room, Bank of America Building, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

**Members Present**

William G. O'Brien, Chair  
James H. Spencer, III, Vice Chair  
Janet Aylor on behalf of Manju Ganeriwala  
John J. Aulbach, P.E. on behalf of Marissa Levine  
David Branscome  
Barbara McCarthy Donnellan  
Cherry Evans on behalf of Randall P Burdette  
Thomas L. Hasty, III  
Dena Frith Moore  
John H. Rust, Jr.  
Valerie Thomson on behalf of David K. Paylor  
(arrived at 9:07 a.m.)

**Members Absent**

None

**Staff Present**

Stephanie L. Hamlett, Executive Director/Secretary to the Board  
Jean Bass, Director of Policy  
Michael Cooper, Director of Administration & Operations  
Shawn Crumlish, Director of Financial Services  
Peter D'Alema, Director of Program Management  
Kimberly S. Adams, Senior Program Manager  
Stephanie Jones, Program Manager/Compliance Officer  
Catherine O'Neill, Accounting Manager  
George Panos, Deputy Controller  
Elizabeth Sakr, Fiscal & Administrative Specialist  
Rachael Panos, Fiscal & Administrative Specialist  
Stephanie O'Neill, Receptionist

**Others Present**

Howard Eckstein, Virginia Department of Health  
Steve Pellei, Virginia Department of Health  
Ty Wellford, Davenport & Company, LLC  
Leah Schubel, Davenport & Company, LLC

### **Call to Order**

The meeting was called to order by Mr. William G. O'Brien, Chair, at 9:00 a.m.

Mr. O'Brien welcomed to the Board meeting Ms. Cherry Evans representing Mr. Randall Burdette and Ms. Janet Aylor representing Ms. Manju Ganeriwala. He also welcomed to the VRA family Ms. Catherine O'Brien, an Accounting Manager assigned to the Accounting Division.

### **Approval of Agenda**

There were no additions or deletions to the agenda.

Motion by Mr. Rust, seconded by Mr. Spencer, to approve the agenda as presented.

Motion carried.

### **Approval of Meeting Minutes**

There were no corrections to the minutes of the Municipalities Continuing Disclosure Cooperation Initiative Subcommittee and the Portfolio Risk Management Committee meetings held February 29, 2016 and the Board of Directors meeting held March 1, 2016.

Motion by Ms. Moore, seconded by Mr. Rust, that the minutes of the Municipalities Continuing Disclosure Cooperation Initiative Subcommittee and the Portfolio Risk Management Committee meetings held February 29, 2016 and the Board of Directors meeting held March 1, 2016, be approved.

Motion carried.

### **Executive Director's Report**

Ms. Stephanie L. Hamlett, Executive Director, highlighted segments of the Executive Director's Report. She said in December 2013, the Virginia Transportation Infrastructure Program (VTIP) closed a loan with the Economic Development Authority of Loudon County totaling \$36 million for the extension of roadways. She stated that Loudon County is moving forward very well and the projects are expected to be completed by the end of the calendar year.

Ms. Hamlett commended Ms. Stephanie Jones, Program Manager/Compliance Officer, for her efforts in monitoring the Loan Monitoring and Compliance Program. She stated that VRA maintains a "watch list" that includes borrowers that may not be delinquent in payments but that are experiencing some challenges. One of particular concern, the City of Petersburg, has almost \$26 million outstanding in loans and the City is facing economic and political challenges. Ms. Hamlett continued that the Governor's Office is aware of these matters and is working with the city and state officials to address immediate concerns. There is concern, she said, regarding the

City's impact on the water authority of which it is a member. Chesterfield County is also a member of at least one of those authorities, and has offered the assistance of a former Chesterfield Deputy County Administrator to work with Petersburg. A meeting is scheduled with the City of Petersburg, Governor's Office, Chesterfield County and VRA on Tuesday, June 7, 2016 to further discuss matters and to determine the level and extent of state support.

Ms. Hamlett also noted that the Bristol Virginia Utilities Authority (BVUA) is also on the "watch list" for VRA loan monitoring purposes. BVUA has historically been a "green borrower" in VRA's Loan Monitoring and Compliance Database with strong revenues and debt service coverage based on audited financial statements received by VRA. BVUA is considering a sale of its Opti-Net system that provides telephone, internet, and cable services; however, she continued that the sale may be complicated due to federal grants and Tobacco Commission grants issued to the City of Bristol when the Opti-Net system was established. VRA has tracked press reports regarding the possible Opti-Net system sale, and Ms. Hamlett noted that she has discussed the implications of the Opti-Net system sale as it relates to VRA's loan with BVUA to clarify the prepayment and redemption provisions of the underlying VRA bonds that funded the local loan. VRA will continue to closely monitor this matter and provide updates to the VRA Board as new information becomes available.

Ms. Valerie Thomson arrived at 9:07 a.m.

Ms. Hamlett stated that the Virginia Conservation Legacy Fund (VCLF) is aware that VRA requires the submission of a comprehensive and feasible business plan for Natural Bridge by September 2016, at which time it is expected to make a presentation with a request to the VRA Board to restructure the loan to VCLF.

Continuing to highlight areas from the Executive Director's Report, Ms. Hamlett congratulated Mr. Peter D'Alema, Director of Program Management, who recently completed the Virginia Executive Institute, the Commonwealth's premier leadership and professional development program. All of the directors have completed the program.

Ms. Hamlett made the Board aware that the Governor's Office has asked her to sign a performance agreement on behalf of VRA to follow the Governor's policies. This request is being made of all state agencies. In addition, she is to highlight some of VRA's activities that are in line with state policy. Ms. Hamlett stated that she will sign the agreement, but will point out that the VRA Board sets the policies for the Authority.

Ms. Moore commended the staff on the website redesign, noting that it is very user friendly. Ms. Hamlett stated all of staff had input; however, Ms. Jean Bass, Director of Policy, Ms. Stephanie Jones, Program Manager/Compliance Officer, and Ms. Rachael Panos, Fiscal & Administrative Specialist, took the lead.

## **Committee Reports**

**Personnel Committee:** Mr. Thomas L. Hasty, III, Chair, stated that the Committee received updates relative to the Personnel Policies Manual. He asked Mr. Michael Cooper, Director of Administration & Operations, to review material changes.

Mr. Cooper noted that there are minor changes to the policy itself. One change regards protected classes and is based on recent changes in federal and state laws. The second change pertains to retaliation and who is covered in a retaliation or anti-retaliation complaint. The section also addressed confidentiality. Lastly, Mr. Cooper explained changes to the Information Technology (IT) section of the policy relating to VRA items that are stolen or lost and how to properly secure VRA data on the devices. He stated that there was considerable discussion at the Committee meeting regarding employee use of their own devices to access VRA data and the potential liability associated with such use. Language, he said, was added to the Personnel Policy requiring the consent of employees allowing VRA to search personal devices and wipe clean any information pertaining to VRA. Mr. Cooper said, following discussions with Committee members, VRA will require that all employees sign a consent form for the use of a personal device to access VRA data. This will provide VRA the ability to retrieve and wipe VRA data from devices when the need arises. If an employee refuses to sign a consent form, they will be unable to access VRA data from their personal devices.

Mr. Cooper proceeded to discuss changes in Employee health insurance premiums. He stated that there was a 13% increase in insurance premiums resulting in VRA adjusting its current split to an 88% ratio for VRA and a 12% ratio for employees. He continued that two health insurance plans are offered, the difference being preventive dental insurance and comprehensive dental insurance. All VRA employees, he said, are enrolled in the comprehensive dental insurance. Mr. Cooper reminded Board members that VRA is a part of the Local Choice Program under the Virginia Department of Human Resource Management and is required to cover 80% of a single member plan premium costs. However, as stated above, VRA is well above that ratio. Mr. Cooper concluded that the insurance plans were presented to staff during open enrollment last month.

There was no further discussion.

Motion by Mr. Hasty, seconded by Mrs. Donnellan, to approve the changes to the Personnel Policies Manual and Employee Health Insurance premiums, as presented.

Motion carried.

**Closed Session:** Mr. Hasty stated that a motion is needed to go into closed session to discuss a personnel matter.

Motion by Mr. Hasty, seconded by Ms. Moore, allowing the Board to enter into a closed session in accordance with Section 2.2-3711(A)(1) of the Code of Virginia, as amended, for the purpose of discussion and consideration of the performance, compensation, promotion and resignation of specific public officers, employees or appointees to VRA.

Motion carried.

The closed session convened at 9:17 a.m.

Open Session: The open session reconvened at 9:33 p.m. Mr. Cooper read the following resolution certifying closed session.

#### **RESOLUTION**

**Whereas,** the Board of the Virginia Resources Authority (the “Authority”) has on June 7, 2016 convened a closed session pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

**Whereas,** Section 2.2-3712 of the Code of Virginia requires a certification by the Board of Directors that such closed meeting was conducted in accordance with Virginia law;

**Now, therefore, be it resolved** that the Board of the Virginia Resources Authority does hereby certify that, to the best of each members knowledge, (i) only the public business matters that were identified in the motion by which the closed session was convened and that were lawfully exempted by the Virginia Freedom of Information Act were discussed in the closed session to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed session were heard, discussed or considered by the Board.

A roll call vote on the motion resulted as follows:

Ayes: Ms. Aylor, Mr. Aulbach, Mr. Branscome, Mrs. Donnellan, Ms. Evans, Mr. Hasty, Ms. Moore, Mr. Rust, Mr. Spencer, Mrs. Thomson, O’Brien, Chair.

Nays: None.

Absent for Vote: None.

Absent for Meeting: None.

Compensation – Executive Director: Mr. Hasty stated that the Personnel Committee in recognition of the Executive Director’s 2016 performance is recommending that she receive a 3% merit increase in addition to other compensation that will be provided through the Chairman to the Executive Director which is on file and available upon request.

Motion by Mr. Hasty, seconded by Mr. Spencer, that Executive Director Stephanie L. Hamlett receive a 3% merit increase in addition to other compensation that will be provided through the Chairman in recognition of her 2016 performance.

Motion carried.

Budget Committee: Mrs. Barbara McCarthy Donnellan, Chair, stated that Mr. Michael Cooper,

Director of Administration & Operations, will provide highlights relative to the FY2016 budget and the FY2017 proposed budget.

Fiscal Year 2016 Budget: Mr. Cooper stated that VRA is in a strong financial position as it concludes the FY2016 budget year. Projections at year end will be above budgeted revenues and well below expected expenditures for year end June 30, 2016. The primary driver on the revenue side is the Virginia Pooled Financing Program (VPFP) due to loan volume that was not anticipated. The other driver, he said, is investments. Mr. Joseph Bergeron, Financial Services Manager, and Mr. George Panos, Deputy Controller, are reviewing data to make sure VRA is maximizing investment thereby realizing a better return. Mr. Cooper continued that the key driver in keeping down expenses is the fact that the Controller position was vacant for over half of the year and the authorized financial analyst position was not filled. As a result, he stated that approximately \$2 million will be placed in reserve which is twice as much as anticipated.

Fiscal Year 2017 Budget: Mr. Cooper explained that the budget is developed around the Strategic Plan where it is used as a planning tool with VRA goals as the key driver. He summarized goals 1 through 3, stating that one of the key items is the Loan Servicing System. It is expected that a new statement of needs will be developed in late fall or winter. In addition, the phone system will be replaced as it will be at the end of its useful life in December.

Mr. Cooper continued that VRA is expecting sponsorship for the biennial Statewide Infrastructure Conference which will be held in December 2016. He stated that VRA pays certain staff aspects relating to the conference regardless of the level of sponsorship. Goal 4 is straight forward and it is to assure financial sustainability. Goal 5, he concluded, is to maintain qualified staff by continuing to ensure that staff have opportunities for training, education, technology needs. VRA prides itself in having a lean staff. A 3% merit increase based on performance evaluation is recommended in the budget, and will be effective July 1.

Mr. Cooper provided a snapshot of the total FY17 Budget, noting that it is very conservative in regard to revenues and expenditures, with little under \$1 million anticipated for the Portfolio Risk Management (PRM) Reserve. Mr. Cooper stated that staff met with partnering agencies to review the allocation of the proposed budget for indirect costs. He then shared a graph of revenues and expenses, noting that expenses are a little higher in professional & contractual services for the next year due in part to the use of a third party CPA firm that was utilized in the absence of a controller. Staff determined that the firm will be needed in the new year to provide technical assistance as the restructure of the accounting division occurs.

Portfolio Risk Management Reserve (PRM): As a point of information, Mr. Cooper stated that the Budget Committee had extensive discussion relative to a new methodology for determining the PRM reserve target. He provided a comparison between the current and proposed new methodology, noting that the new methodology will result in a higher target. The new methodology will use Standard & Poors (S&P) locality ratings as the basis for calculating reserve amounts for each loan that is funded with VRA bonds backed by a Capital Reserve Fund. The

new methodology is expected to result in a more stable PRM reserve over time.

Mrs. Donnellan stated that the Committee had an extensive conversation regarding the proposed new methodology for the Portfolio Risk Management reserve. She noted that the proposed new

methodology for calculating reserves has more substance than the current methodology. The Board will have the opportunity for discussion at its September 2016 Board meeting.

Mrs. Donnellan stated that the Budget Committee recommends approval of the FY2017 budget as presented.

Motion by Mrs. Donnellan, seconded by Mr. Aulbach, that the Fiscal Year 2017 budget be approved, as presented.

Motion carried.

**Portfolio Risk Management Committee (PRMC):** Ms. Dena Frith Moore, Chair, stated that she and Mr. Peter D'Alema, Director of Program Management, will provide an update from the PRMC; and that action will be required to approve the Fiscal Year 2017 Shelf Resolutions.

**2016A Virginia Pooled Financing Program (VPFP):** Mr. D'Alema stated that VRA sold \$136.62 million in VPFP bonds to fund 15 loans in May 2016 on behalf of 14 local government borrowers. The bonds cover 7 of VRA's 18 authorized project areas. The sale included tax-exempt Infrastructure Revenue Bonds with confirmed ratings of Aaa/AAA and State Moral Obligation Revenue Bonds with confirmed ratings of Aa2/AA. Mr. D'Alema highlighted the bond transaction summary noting that the True Interest Cost (TIC) was 2.56% and the All-In TIC was 2.72%. He stated that the 2016A Infrastructure Revenue Bonds were issued on a negotiated basis and the underwriters included Citi, Senior Manager; JP Morgan, Co-Senior Manager; and Co-Managers Fidelity and Morgan Stanley. Bank of America Merrill Lynch submitted the lowest true interest cost bid on the 2016A State Moral Obligation Bonds which were issued on a competitive basis.

Mr. D'Alema reviewed the 2016A VPFP Borrower Summary, noting that the 8 local government borrowers in the transaction refunded \$59.4 million in prior debt obligations for net present value savings in excess of \$7.5 million. Mr. D'Alema continued that there is \$2.37 billion in total borrower loans outstanding in the VPFP Portfolio, with the top 10 borrowers representing 34.5% of the overall VPFP portfolio. The largest borrower, Stafford County, was 6.04% of the overall VPFP local loan portfolio after the closing of the spring pool.

Mr. D'Alema mentioned the VPFP Five-Year Issuance Trend, noting that approximately \$220 million of the VPFP bonds issued by VRA in fiscal year 2016 were related to new construction projects.

**Commonwealth's Moral Obligation:** Mr. D'Alema provided an update on the status of VRA's use of the Commonwealth's Moral Obligation (MO). After the VPFP 2016A, approximate \$916



million in VRA bonds outstanding carried the Commonwealth's MO pledge, with approximately \$584 million in remaining MO debt capacity. Mr. D'Alema explained that over \$41 million in MO backed debt matures between June 30, 2016 and November 1, 2016, leaving approximately \$625 million in estimated remaining MO debt capacity by fall 2016. This capacity excludes the effects of the summer 2016B VPFP issuance.

VPFP Guaranteed Investment Contracts (GIC) Terminations: Mr. D'Alema stated that as part of the 2016A VPFP, VRA was able to eliminate two guaranteed investment contracts (GICs) from the VPFP portfolio, noting that many GIC providers have been downgraded. VRA has been successful in collateralizing several of these investment contracts in other VRA programs. Due to favorable market conditions, as part of the spring VPFP, VRA was able to successfully terminate the 2003 and 2006C GIC contracts. He explained that the GIC terminations included a substantial premium based on the current market interest rate environment. While a portion of the 2006C premium will likely need to be rebated to the IRS, the 2003 premium can be retained and used to replace the VPFP Capital Reserve Fund cash flow with the use of state and local government series bonds (SLGS). He noted that the termination of these GIC agreements is viewed positively by the rating agencies as there is less risk associated with the treasury investments that replaced the GIC investments. Mr. D'Alema commended Ms. Leah Schubel and Ty Wellford of Davenport and Company LLC, for their efforts in this process.

2016B VPFP Summer Pool: Mr. D'Alema stated that the summer pool is moving forward. Eleven application requests have been received for consideration with approximately \$81 million in requested proceeds. Mr. D'Alema explained that there are multiple VPFP loans with net present value savings of 3% that are potential VRA refunding candidates. Three existing VPFP borrowers have expressed interest and plan to move forward in the summer transaction. He highlighted the 2016B VPFP Summer Pool Applicants, noting that two of the loan applications were subsequently withdrawn. There were two summer pool loan requests seeking proceeds in excess of \$10 million, including Dinwiddie County and the City of Manassas Park. Dinwiddie County is seeking up to \$25.15 million to finance the construction of two new buildings and the renovation of two existing local government buildings. The Dinwiddie County loan would be secured by a lease revenue pledge with the County's government complex serving as collateral and the City of Manassas Park is seeking \$20.67 million to refund a Series 2008 public bond issue that originally financed a parks and recreation facility. Both of the loan requests fall within VRA's lease revenue and tax supported debt underwriting guidelines.

Mr. D'Alema stated that due diligence calls were conducted, local authorizing resolutions will be adopted by localities no later than June 20, 2016; and transaction details will be provided at the September 2016 PRMC and VRA Board meetings. He concluded with the financing schedule, noting that the bond sale is scheduled for July 27, 2016, and pre-closing and closing will take place on August 9, 2016 and August 10, 2016, respectively.

Green Community Program (GCP): Ms. Moore highlighted the Green Community Program. She stated that the program was established under Executive Order 36 so that the Virginia Department

of Mines, Minerals, and Energy (DMME) can deploy a portion of the Commonwealth's Qualified Energy Conservation Bonds allocation. The program is for use by local governments, private businesses, and non-profits through the GCP. She stated that the program started in September 2015 and since that time two loans were funded with VRA serving as the conduit issuer. Pittsylvania County was issued a 15-year loan for \$3.3 million. The other was an 18-year loan in the amount of \$8.691 million issued to Warren County. Both of the loans will fund energy performance contracts for multiple school facility energy efficiency upgrades.

Virginia Airport Revolving Fund (VARF) and Dam Safety Fund: Ms. Moore stated that there is a possible refunding for the VARF Series 2007 bonds for debt service savings, potentially through a bank private placement.

Ms. Moore continued that VRA is continuing to manage the Dam Safety Fund on behalf of the Department of Conservation and Recreation. There will be another round of grants awarded by the Water and Soil Conservation Board in the fall.

Clean Water Revolving Loan Fund (CWRLF) Refunding: Ms. Moore stated that there may be an opportunity to do some refunding for the CWRLF through a bank direct loan placement. There was discussion relative to the Virginia Conservation Legacy Fund (VCLF) and Natural Bridge. VRA has set aside funds from the default interest rates that are available for use of loan restructuring costs and other things that need to be done to transition Natural Bridge to a state park.

Ms. Moore continued that the Hampton Roads Sanitation District (HRSD) is moving forward in raising subordinate debt in lieu of senior debt, as they indicated they would do.

Drinking Water State Revolving Fund (DWSRF): Ms. Moore stated that the Town of Nickelsville was discussed. The Town is having challenges making its semi-annual debt service payments. The Virginia Department of Health (VDH) Office of Drinking Water is leading discussions with the Town for long-term operational solutions for the water system.

Fiscal Year 2017 Shelf Resolutions: Ms. Moore stated that action is needed to approve the FY2017 Shelf Resolution. At the request of Ms. Moore, Mr. D'Alema reviewed the resolutions, noting that they are adopted annually and provide authorization for debt issuance in several VRA financing programs.

Motion by Ms. Moore, second by Mr. Rust, that the following Fiscal Year 2017 Shelf Resolutions be approved.

Resolution authorizing the issuance of up to \$475,000,000 in Infrastructure Revenue Bonds (Virginia Pooled Financing Program) for the Fiscal Year ending June 30, 2017.

Resolution authorizing the issuance and sale of up to \$10,000,000 in Airports Revolving Fund Bonds for the Fiscal Year Ending June 30, 2017, the lending of the proceeds thereof to finance or refinance airport projects, and the making of direct loans from the Virginia Airports Revolving Fund for Airport Projects.

Resolution authorizing the issuance and sale of bonds to refund outstanding bonds.

Resolution authorizing participation by the Virginia Resources Authority in the Virginia Saves Green Community Program established by the Virginia Department of Mines, Minerals and Energy and the issuance of Qualified Energy Conservation Tax Credit Revenue Bonds during the Fiscal Year ending June 30, 2017.

Resolution authorizing the issuance and sale of up to \$6,000,000 in Clean Water State Match Revenue Bond for the Fiscal Year ending June 30, 2017.

Motion carried.

Portfolio Risk Management (PRM) Reserve: Ms. Moore explained that VRA maintains a PRM reserve to protect against a draw on the State's Moral Obligation (MO) pledge. Staff has been working diligently to build up this reserve to a level with which the VRA Board is comfortable. She explained that staff developed a wonderful methodology for calculating the reserve using the existing Loan Monitoring and Compliance risk categorizations. However, the fluctuation with borrowers moving from one risk category to another significantly affected the size of the reserve from year to year. At the Committee's request, staff returned to the Committee with a different methodology that is more effective, but still needs refinement. She concluded that staff will return in September 2016 at which time the Board will have the opportunity to receive and discuss the proposed methodology.

#### **Municipalities Continuing Disclosure Cooperation (MCDC) Initiative Subcommittee**

Mr. John H. Rust, Jr. stated that the Subcommittee is awaiting word from the Securities and Exchange Commission. Until that time, there is nothing to report.

#### **Old Business**

There was no old business.

#### **New Business**

Mr. William G. O'Brien, Chair, stated that Mr. James H. Spencer, III, is currently the Vice Chair of the Virginia Resources Authority Board of Directors. Regretfully and sadly, the Board will be losing Mr. Spencer and Ms. Dena Frith Moore as they both chose not to seek reappointment. The Board will sincerely miss the contributions that have come from both. He stated that their strengths, backgrounds and intelligence truly benefitted the Board. On behalf of the Board, he thanked them for their service and all they have done, stating that they will be sorely missed. He concluded that the Governor is responsible for making appointments to fill the two vacancies.

Ms. Moore stated that she truly enjoyed being a part the board, adding that she has learned so much. She continued that this Board gets things done, and it has been such a privilege and pleasure to have served as a member. She expressed her appreciation for the opportunity.

Mr. Spencer stated that the 12 years he has served on the Board have been very enjoyable, he has made a lot of good friends, and it has been one of the highlights of his career. However, his career path has changed.

#### Election of Board Vice Chairman

Mr. O'Brien stated that in view of the fact that Mr. Spencer is not eligible for reappointment, he called for nominations for the position of Vice Chairman of the Virginia Resources of Authority Board of Directors.

Mr. John H. Rust, Jr. nominated Mr. Thomas L. Hasty, III for the position of Vice Chair of the Virginia Resources Board of Directors.

There being no further nominations, the nominations were closed.

Motion by Mr. Rust, seconded by Ms. Moore, that Mr. Thomas L. Hasty, III, be elected Vice Chair of the Virginia Resources Authority Board of Directors, effective July 1, 2016.

Motion carried.

#### **Appointment to Board Committees**

Mr. William G. O'Brien, Chair, stated that appointments to Board Committees will not be made until after the Governor has made his appointments to fill vacancies on the Board. However, he stated, there is one exception. Ms. Valerie Thomson will serve on the Portfolio Risk Management Committee.

#### **Reconsideration of December 2016 Board Meeting**

Mr. William G. O'Brien, Chair, stated that the Governor's Infrastructure Conference will conflict with the scheduled Board and Committee meetings set for December 5-6, 2016. The conference is December 14-16, 2016. The meetings will be held in Williamsburg just prior to the Conference. The suggested date for the Committee meetings is December 13, 2016, and the suggested date for the Board meeting is the morning of December 14, 2016.

The Board concurred with the proposed dates of December 13, 2016 for Committee meetings, and the morning of December 14, 2016 for the Board meeting, both to be held in Williamsburg just prior to the opening session of the 2016 Governor's Infrastructure Financing Conference.

#### **Public Comment Period**

There is no public comment.

### **Adjournment**

There was no further business to come before the Board.

Motion by Mr. Spencer, seconded by Ms. Moore, that the meeting be adjourned.

The motion carried, and the meeting adjourned at 10:18 a.m.

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William G. O'Brien, Chair

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Stephanie L. Hamlett, Executive Director  
Secretary to the Board